

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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East Marshall Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Mike Strawn	President	2009
Robert Thomas	Vice-President	2008
Dave Scott	Board Member	2007
Connie Allen	Board Member	2008
Steve Edwards	Board Member	2009

Board of Education (After September 2007 Election)		
Mike Strawn	President	2009
Robert Thomas	Vice-President	2008
Dave Scott	Board Member	2010
Connie Allen	Board Member	2008
Steve Edwards	Board Member	2009

School Officials		
Dr. Alan Meyer	Superintendent	2008
Nancy Burchland	Business Manager	2008
Cartwright, Druker And Ryden	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
East Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Marshall Community School District, Gilman, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009 on our consideration of East Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 38 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,310,956 in fiscal 2007 to \$7,663,367 in fiscal 2008, while General Fund expenditures increased from \$7,286,797 in fiscal 2007 to \$8,027,328 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$1,048,757 in fiscal 2007 to \$635,320 in fiscal 2008, a 39.42% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2008. The increase in expenditures was due primarily to a Board decision to purchase technology and buses from General Fund that had previously been purchased using Physical Plant & Equipment Levy Funds (PPEL). The Board's decision to shift expenditures was based on a large General Fund carryover of spending authority (Unspent Balance) and an adequate cash balance. The Board intended this as a one-time expenditure and in the future, large equipment purchases will continue to come from PPEL or sales tax.
- As of June 30, 2008, the District's solvency ratio is 7.85% as compared to 11.97% for the previous year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Marshall Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Marshall Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Marshall Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
East Marshall Community School District Annual Financial Report

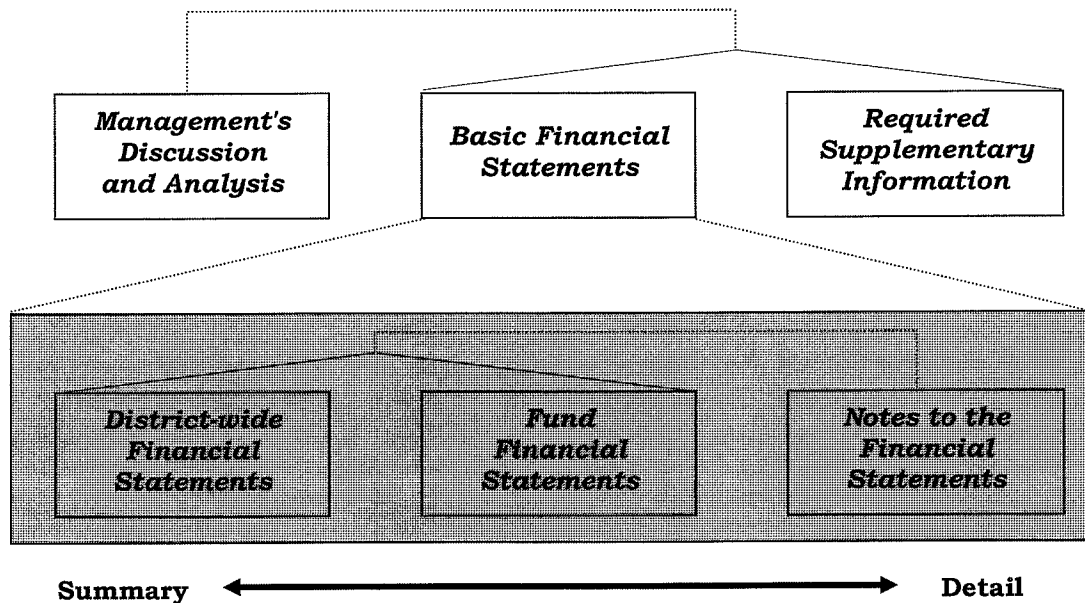


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 5,522,985	6,716,480	83,478	88,308	5,606,463	6,804,788	-17.61%
Capital assets	8,356,197	8,078,896	145,417	18,851	8,501,614	8,097,747	4.99%
Total assets	13,879,182	14,795,376	228,895	107,159	14,108,077	14,902,535	-5.33%
Long-term obligations	6,143,917	6,178,563	0	0	6,143,917	6,178,563	-0.56%
Other liabilities	3,448,136	3,585,376	36,167	36,334	3,484,303	3,621,710	-3.79%
Total liabilities	9,592,053	9,763,939	36,167	36,334	9,628,220	9,800,273	-1.76%
Net assets:							
Invested in capital assets, net of related debt	3,210,940	3,284,525	145,417	18,851	3,356,357	3,303,376	1.60%
Restricted	1,005,236	1,322,569	0	0	1,005,236	1,322,569	-23.99%
Unrestricted	70,953	424,343	47,311	51,974	118,264	476,317	-75.17%
Total net assets	\$ 4,287,129	5,031,437	192,728	70,825	4,479,857	5,102,262	-12.20%

The District's combined net assets decreased by 12.20%, or \$622,405, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$317,333, or 23.99% from the prior year. This decrease is due to the decrease in the Special Revenue, Physical Plant and Equipment Levy Fund Balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$358,053, or 75.17%. The decrease was due primarily to the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,475,308	1,370,511	178,653	182,650	1,653,961	1,553,161	6.49%
Operating grants, contributions and restricted interest	978,117	864,284	168,439	149,843	1,146,556	1,014,127	13.06%
Capital grants, contributions and restricted interest	59,232	165,256	0	0	59,232	165,256	-64.16%
General revenues:							
Local tax	2,653,604	2,726,055	0	0	2,653,604	2,726,055	-2.66%
Local option sales and services tax	418,411	415,180	0	0	418,411	415,180	0.78%
Unrestricted state grants	3,061,299	2,852,761	0	0	3,061,299	2,852,761	7.31%
Other	288,458	346,421	1,695	2,317	290,153	348,738	-16.80%
Transfers	(144,162)	(210)	144,162	0	0	(210)	100.00%
Total revenues and transfers	8,790,267	8,740,258	492,949	334,810	9,283,216	9,075,068	2.29%
Program expenses:							
Governmental activities:							
Instruction	5,317,096	4,776,591	0	0	5,317,096	4,776,591	11.32%
Support services	2,905,040	2,677,785	15,247	4,080	2,920,287	2,681,865	8.89%
Non-instructional programs	5,729	5,737	355,799	334,221	361,528	339,958	6.34%
Other expenses	1,306,710	639,069	0	0	1,306,710	639,069	104.47%
Total expenses	9,534,575	8,099,182	371,046	338,301	9,905,621	8,437,483	17.40%
Change in net assets	(744,308)	641,076	121,903	(3,491)	(622,405)	637,585	-197.62%
Beginning net assets	5,031,437	4,390,361	70,825	74,316	5,102,262	4,464,677	14.28%
Ending net assets	\$ 4,287,129	5,031,437	192,728	70,825	4,479,857	5,102,262	-12.20%

In fiscal 2008, property tax and unrestricted state grants account for 65.01% of the revenue from governmental activities while charges for services and operating grants and contributions account for 70.41% of the revenue from business type activities.

The District's total revenues were approximately \$9.28 million of which \$8.79 million was for governmental activities and \$0.49 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.29% in revenues and a 17.40% increase in expenses. The increase in expenses was related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,790,267 and expenses were \$9,534,575. The increased expenses in governmental activities were due primarily to construction projects at each of the District's four facilities.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,317,096	4,776,591	11.32%	3,115,006	2,785,328	11.84%
Support services	2,905,040	2,677,785	8.49%	2,842,964	2,669,957	6.48%
Non-instructional	5,729	5,737	-0.14%	5,729	5,737	-0.14%
Other expenses	1,306,710	639,069	104.47%	1,058,219	238,109	344.43%
Totals	<u>\$ 9,534,575</u>	<u>8,099,182</u>	<u>17.72%</u>	<u>7,021,918</u>	<u>5,699,131</u>	<u>23.21%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$1,475,308.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,037,349.
- The net cost of governmental activities was financed with \$2,653,604 in property tax, \$418,411 in local option sales and services tax, \$3,061,299 in unrestricted state grants and \$94,892 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$492,949 and expenses were \$371,046. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the East Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,848,579, below last year's ending fund balances of a \$2,898,149. However, the primary reason for the decrease in ending fund balance is a result of construction costs at all four District facility sites.

Governmental Fund Highlights

The District's deteriorating General Fund financial position is the product of many factors:

- The Board's decision to shift expenditures for technology and buses from the Special Revenue, Physical Plant and Equipment Levy Fund to the General Fund for the 2007-08 fiscal year.
- An increase in state sources helped contribute to the increase in revenues for the District. However, this increase was not enough to offset the increase in expenditures for the year.
- Interest revenue decreased due to deteriorating interest rates and decreased cash balance.

Other Governmental Funds:

- On July 27, 2007, the high school addition construction project was considered substantially complete and the District was able to occupy the building. The addition included a gym, commons area, kitchen, vocational technology, vocal and instrumental music classrooms. The new construction will add 27,975 square feet to the high school.
- The bond issue approved on April 26, 2005, for the construction of an addition to the existing high school also included the renovation of the existing high school. The District will use any excess funds in the Capital Projects Fund to complete this renovation.
- The fund balance in the Schools Infrastructure Local Option (SILO) Sales Tax Fund decreased in 2007-08 due to lower sales tax. The District is using the sales tax revenue to abate property taxes in the Debt Service Levy. The Board continues to hold the property tax rate in the Debt Service Fund at .35/1000 with the remainder being paid with SILO funds.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from \$70,825 at June 30, 2007 to \$192,728 at June 30, 2008, representing an increase of 172.12%. This increase was primarily due to capital contributions from the Capital Projects Fund.

BUDGETARY HIGHLIGHTS

The District's revenues were \$481,889 more than budgeted revenues, a variance of 5.47%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$8,501,614, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.99% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$426,413.

The original cost of the District's capital assets was \$12,824,397. Governmental funds account for \$12,570,238 with the remainder of \$254,159 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,669,253 at June 30, 2007, compared to \$7,428,052 at June 30, 2008. The rise in buildings is due to the completion of the high school addition project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 128,425	115,374	0	0	128,425	115,374	11.31%
Construction in progress	0	5,824,427	0	0	0	5,824,427	-100.00%
Buildings	7,428,052	1,669,253	0	0	7,428,052	1,669,253	344.99%
Land improvements	226,551	89,524	0	0	226,551	89,524	153.06%
Machinery and equipment	573,169	380,318	145,417	18,851	718,586	399,169	80.02%
Total	\$ 8,356,197	8,078,896	145,417	18,851	8,501,614	8,097,747	4.99%

Long-Term Debt

At June 30, 2008, the District had \$6,143,917 in long-term debt outstanding. This represents a decrease of 0.56% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had general obligation bonds payable of \$4,810,000 at June 30, 2008.

The District had energy loan notes payable of \$455,000 at June 30, 2008.

The District had early retirement payable of \$832,132 at June 30, 2008.

The District had compensated absences payable of \$46,785 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 4,810,000	5,005,000	-3.90%
Energy loan notes	455,000	490,000	-7.14%
Early retirement	832,132	633,108	31.44%
Compensated absences	46,785	50,455	-7.27%
Totals	\$ 6,143,917	6,178,563	-0.56%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- On February 12, 2007, the Board started discussing the possibility of closing one of the District's school buildings. Public hearings were held and a consultant was hired to analyze the educational program and facilities. The consultant's report was presented in July 2007 with a recommendation to phase out the Ferguson facility as an attendance center, to expand the LeGrand campus and to upgrade the Gilman and Laurel facilities.
- On July 9, 2007, the Board received a recommendation from John Lott, an architect with Benjamin Design Collaborative, that the Ferguson school building no longer be used as a school building until structural repairs are made. The Board voted to not make the structural repairs to the Ferguson building on July 16, 2007 and formally closed the Ferguson facility on July 30, 2007. The two grades located at the Ferguson facility were moved to the school building in Laurel for the 2007-08 school year, but space considerations were an issue that would need to be addressed in the future.
- The District applied for and received a grant from the state to start a 4-year old preschool program in the 2007-08 school year. The City of Gilman agreed to relinquish ownership of a property in Gilman that had previously been used to house a community preschool. The City of Gilman deeded the building to the District on July 11, 2007. The District made improvements to the building and 38 preschool students were enrolled for the 2007-08 school year. State funding for the preschool will continue in future years through the school finance formula.
- The instructional support program allows the district to generate 10% of the total regular program district cost for the budget year for additional or enhanced current educational programs. The District can participate in the instructional support program by either holding an election, which allows participation for ten years, or by board resolution, which allows participation for five years. The East Marshall School Board implemented the program by resolution for a period of five years starting with 2002-03. The program is funded with a combination of state aid, property tax and income surtax. Income surtax is paid in the year following the year it is levied. On July 10, 2006, the board adopted a resolution to continue participation in the instructional support program for an additional five-year period through June 30, 2012.

Fiscal Year	Instructional Support Levy	ISL State Aid	Income Surtax	Property Tax
2007-08	\$317,699	\$26,690	\$260,620	\$30,389
2006-07	\$316,157	\$27,797	\$273,019	\$15,341
2005-06	\$318,391	\$29,809	\$278,567	\$10,015
2004-05	\$322,049	\$31,732	\$282,711	\$7,606
2003-04	\$329,366	\$34,096	\$263,457	\$31,813

- The District's certified enrollment increased by almost 13 students in 2008. This increase means the District will not fall under the budget guarantee of 101% in 2009-2010. However, the District enrollment trend over the past several years is downward by an average of 15 students per year. 1
- The District continues to have increasing open enrolled students. In 2007-08 open enrollment revenues were \$1,158,400, an increase of \$63,101 over 2006-07.

Fiscal Year	Enrolled In	Enrolled Out
2008-2009	209	46.6
2007-2008	202	45.6
2006-2007	193	49.7
2005-2006	181	50.8
2004-2005	140	43.5
2003-2004	120	43.7

- Property tax values continue to increase slightly. The PPEL and PERL levies, fixed dollar levies, will generate more dollars because of the increased valuation. Increasing valuations allow the District to lower the property tax rate for the General Fund, Management Fund, and Debt Service Fund.
- On February 1, 2007, the District issued \$490,000 of General Obligation Energy Improvement Capital Loan Notes. The Department of Natural Resources approved East Marshall for incremental financing through the Iowa Energy Bank Program. \$337,000 of financing was approved for using geothermal in the high school addition and \$153,000 was approved for the middle school window replacement project. The loan will be repaid from either the Special Revenue, Physical Plant and Equipment Levy Fund (PPEL) or Local Option(SILO) Sales Tax Fund over a ten year period.
- Starting July 1, 2007, the Iowa Public Employees' Retirement System (IPERS) increased the IPERS contribution rate for both employees and employers. The employer rate increased 0.3% in 2007-08 and will continue to increase 0.3% each year through 2010-11. This will be an increasing cost for employee benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Burchland, District Business Manager, East Marshall Community School District, 225 South Elm Street, Gilman, Iowa, 50106.

BASIC FINANCIAL STATEMENTS

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,403,192	64,234	2,467,426
Receivables:			
Property tax:			
Delinquent	37,702	0	37,702
Succeeding year	2,506,897	0	2,506,897
Income surtax	260,620	0	260,620
Accounts	2,509	0	2,509
Due from other governments	312,065	356	312,421
Inventories	0	18,888	18,888
Capital assets, net of accumulated depreciation (Note 4)	8,356,197	145,417	8,501,614
TOTAL ASSETS	13,879,182	228,895	14,108,077
LIABILITIES			
Accounts payable	120,818	1,433	122,251
Salaries and benefits payable	777,872	30,119	807,991
Due to other governments	8,169	0	8,169
Accrued interest payable	34,350	0	34,350
Deferred revenue:			
Succeeding year property tax	2,506,897	0	2,506,897
Other	30	0	30
Unearned revenue	0	4,615	4,615
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	200,000	0	200,000
Energy loan notes	44,000	0	44,000
Early retirement	150,801	0	150,801
Compensated absences	46,785	0	46,785
Portion due after one year:			
General obligation bonds	4,610,000	0	4,610,000
Energy loan notes	411,000	0	411,000
Early retirement	681,331	0	681,331
TOTAL LIABILITIES	9,592,053	36,167	9,628,220
NET ASSETS			
Invested in capital assets, net of related debt	3,210,940	145,417	3,356,357
Restricted for:			
Professional development	8,296	0	8,296
Additional teacher contract day	548	0	548
Market factor	5,361	0	5,361
Market factor incentives	5,800	0	5,800
Salary improvement program	1,586	0	1,586
Designated for special purposes	10,884	0	10,884
Physical plant and equipment levy	223,348	0	223,348
Public education and recreation levy	52,245	0	52,245
Capital projects	580,428	0	580,428
Debt service	1,366	0	1,366
Other special revenue purposes	115,374	0	115,374
Unrestricted	70,953	47,311	118,264
TOTAL NET ASSETS	\$ 4,287,129	192,728	4,479,857

SEE NOTES TO FINANCIAL STATEMENTS

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest		Govern- mental Activities	Business- Type Activities	
Expenses							
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,454,119	925,469	690,678	0	(1,837,972)	0	(1,837,972)
Special instruction	1,106,333	419,904	37,829	0	(648,600)	0	(648,600)
Other instruction	756,644	128,210	0	0	(628,434)	0	(628,434)
	5,317,096	1,473,583	728,507	0	(3,115,006)	0	(3,115,006)
Support services:							
Student services	280,838	0	0	0	(280,838)	0	(280,838)
Instructional staff services	288,113	0	0	0	(288,113)	0	(288,113)
Administration services	816,107	0	0	0	(816,107)	0	(816,107)
Operation and maintenance of plant services	941,968	0	0	59,232	(882,736)	0	(882,736)
Transportation services	578,014	1,725	1,119	0	(575,170)	0	(575,170)
	2,905,040	1,725	1,119	59,232	(2,842,964)	0	(2,842,964)
Non-instructional programs:							
Food service operations	257	0	0	0	(257)	0	(257)
Community service operations	5,472	0	0	0	(5,472)	0	(5,472)
	5,729	0	0	0	(5,729)	0	(5,729)
Other expenditures:							
Facilities acquisitions	620,881	0	0	0	(620,881)	0	(620,881)
Long-term debt interest	224,322	0	0	0	(224,322)	0	(224,322)
AEA flowthrough	248,491	0	248,491	0	0	0	0
Depreciation(unallocated) *	213,016	0	0	0	(213,016)	0	(213,016)
	1,306,710	0	248,491	0	(1,058,219)	0	(1,058,219)
Total governmental activities	9,534,575	1,475,308	978,117	59,232	(7,021,918)	0	(7,021,918)
Business-Type activities:							
Support services:							
Administration services	12,755	0	0	0	0	(12,755)	(12,755)
Operation and maintenance of plant services	2,492	0	0	0	0	(2,492)	(2,492)
Non-instructional programs:							
Nutrition services	355,799	178,653	168,439	0	0	(8,707)	(8,707)
Total business-type activities	371,046	178,653	168,439	0	0	(23,954)	(23,954)
Total	\$ 9,905,621	1,653,961	1,146,556	59,232	(7,021,918)	(23,954)	(7,045,872)
General Revenues & Transfers:							
General Revenues:							
Local tax for:							
General purposes					\$ 2,445,845	0	2,445,845
Capital outlay					153,895	0	153,895
Debt service					53,864	0	53,864
Local option sales and services tax					418,411	0	418,411
Unrestricted state grants					3,061,299	0	3,061,299
Unrestricted investment earnings					94,892	1,695	96,587
Other general revenues					193,566	0	193,566
Transfers					(144,162)	144,162	0
Total general revenues & transfers					6,277,610	145,857	6,423,467
Changes in net assets					(744,308)	121,903	(622,405)
Net assets beginning of year					5,031,437	70,825	5,102,262
Net assets end of year					\$ 4,287,129	192,728	4,479,857

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,242,069	640,288	520,835	2,403,192
Receivables:				
Property tax				
Delinquent	29,985	0	7,717	37,702
Succeeding year	2,025,763	0	481,134	2,506,897
Income surtax	260,620	0	0	260,620
Accounts	1,697	0	812	2,509
Due from other governments	237,024	74,905	136	312,065
TOTAL ASSETS	\$ 3,797,158	715,193	1,010,634	5,522,985
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 89,583	15,022	16,213	120,818
Due to other governments	8,169	0	0	8,169
Salaries and benefits payable	777,673	0	199	777,872
Deferred revenue:				
Succeeding year property tax	2,025,763	0	481,134	2,506,897
Income surtax	260,620	0	0	260,620
Other	30	0	0	30
Total liabilities	3,161,838	15,022	497,546	3,674,406
Fund balances:				
Reserved for:				
Construction	0	119,743	0	119,743
Debt service	0	0	1,366	1,366
Salary improvement program	1,586	0	0	1,586
Additional teacher contract day	548	0	0	548
Market factor	5,361	0	0	5,361
Market factor incentives	5,800	0	0	5,800
Professional development	8,296	0	0	8,296
Unreserved:				
Designated for special purposes	10,884	0	0	10,884
Undesignated	602,845	580,428	511,722	1,694,995
Total fund balances	635,320	700,171	513,088	1,848,579
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,797,158	715,193	1,010,634	5,522,985

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 17)	\$ 1,848,579
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,356,197
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	260,620
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(34,350)
Long-term liabilities, including compensated absences, general obligation bonds, early retirement, and capital loan notes, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(6,143,917)
Net assets of governmental activities (page 15)	\$ <u>4,287,129</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,181,978	418,411	484,025	3,084,414
Tuition	1,276,568	0	0	1,276,568
Other	165,768	109,437	211,993	487,198
State sources	3,836,731	9,232	363	3,846,326
Federal sources	202,322	50,000	0	252,322
Total revenues	7,663,367	587,080	696,381	8,946,828
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,134,701	0	128,396	3,263,097
Special instruction	1,106,333	0	0	1,106,333
Other instruction	605,006	0	151,638	756,644
	4,846,040	0	280,034	5,126,074
Support services:				
Student services	278,882	0	1,956	280,838
Instructional staff services	286,614	0	3,162	289,776
Administration services	811,271	0	15,007	826,278
Operation and maintenance of plant services	851,924	0	91,134	943,058
Transportation services	704,106	0	20,126	724,232
	2,932,797	0	131,385	3,064,182
Non-instructional programs				
Food service operations	0	0	3,892	3,892
Community service operations	0	0	5,473	5,473
	0	0	9,365	9,365
Other expenditures:				
Facilities acquisitions	0	960,162	134,078	1,094,240
Long-term debt:				
Principal	0	0	230,000	230,000
Interest and fiscal charges	0	0	232,517	232,517
AEA flowthrough	248,491	0	0	248,491
	248,491	960,162	596,595	1,805,248
Total expenditures	8,027,328	960,162	1,017,379	10,004,869
Deficiency of revenues under expenditures	(363,961)	(373,082)	(320,998)	(1,058,041)
Other financing sources(uses):				
Sale of assets	8,471	0	0	8,471
Transfer in	3,513	117,017	414,057	534,587
Transfer out	(61,460)	(346,590)	(126,537)	(534,587)
Total other financing sources(uses)	(49,476)	(229,573)	287,520	8,471
Net change in fund balances	(413,437)	(602,655)	(33,478)	(1,049,570)
Fund balance beginning of year	1,048,757	1,302,826	546,566	2,898,149
Fund balance end of year	\$ 635,320	700,171	513,088	1,848,579

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 19) \$ (1,049,570)

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense, and loss on disposal in the year are as follows:

Capital outlays	\$ 727,432	
Depreciation expense	(411,342)	
Loss on asset disposal	<u>(38,789)</u>	277,301

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (12,399)

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (2,481)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 230,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,195

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Early retirement	\$ (199,024)	
Compensated absences	<u>3,670</u>	<u>(195,354)</u>

Changes in net assets of governmental activities (page 17) \$ (744,308)

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition
ASSETS	
Cash and pooled investments	\$ 64,234
Due from other governments	356
Inventories	18,888
Capital assets, net of accumulated depreciation (Note 4)	145,417
TOTAL ASSETS	<u>228,895</u>
LIABILITIES	
Accounts payable	1,433
Salaries and benefits payable	30,119
Unearned revenue	4,615
TOTAL LIABILITIES	<u>36,167</u>
NET ASSETS	
Invested in capital assets	145,417
Unrestricted	47,311
TOTAL NET ASSETS	<u>\$ 192,728</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities:		
	Enterprise Fund	Governmental Activities:	
	School Nutrition	Internal Service Fund	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 178,653	0	178,653
OPERATING EXPENSES:			
Support services:			
Administration services:			
Salaries	10,290	0	10,290
Benefits	1,410	2,481	3,891
Services	1,055	0	1,055
	12,755	2,481	15,236
Operation and maintenance of plant services:			0
Services	2,466	0	2,466
Supplies	26	0	26
	2,492	0	2,492
Total support services	15,247	2,481	17,728
Non-instructional programs:			
Food service operations:			
Salaries	150,141	0	150,141
Benefits	32,480	0	32,480
Services	102	0	102
Supplies	153,137	0	153,137
Depreciation	15,071	0	15,071
Total non-instructional programs	350,931	0	350,931
TOTAL OPERATING EXPENSES	366,178	2,481	368,659
OPERATING LOSS	(187,525)	(2,481)	(190,006)
NON-OPERATING REVENUES(EXPENSES):			
State sources	4,986	0	4,986
Federal sources	163,453	0	163,453
Interest income	1,695	0	1,695
Loss on disposal of assets	(4,868)	0	(4,868)
TOTAL NON-OPERATING REVENUES(EXPENSES)	165,266	0	165,266
Change in net assets before capital contributions	(22,259)	(2,481)	(24,740)
Capital contributions	144,162	0	144,162
Change in net assets	121,903	(2,481)	119,422
Net assets beginning of year	70,825	2,481	73,306
Net assets end of year	\$ 192,728	0	192,728

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 175,755	0
Cash received from miscellaneous	2,530	0
Cash payments to employees for services	(193,037)	(2,481)
Cash payments to suppliers for goods or services	(132,179)	0
Net cash used in operating activities	(146,931)	(2,481)
Cash flows from non-capital financing activities:		
State grants received	4,986	0
Federal grants received	139,429	0
Net cash provided by non-capital financing activities	144,415	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,343)	0
Cash flows from investing activities:		
Interest on investments	1,695	0
Net decrease in cash and cash equivalents	(3,164)	(2,481)
Cash and cash equivalents at beginning of year	67,398	2,481
Cash and cash equivalents at end of year	\$ 64,234	0
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (187,525)	(2,481)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	23,668	0
Depreciation	15,071	0
Decrease in inventories	2,022	0
Decrease in accounts payable	(1,083)	0
Increase in salaries and benefits payable	1,284	0
Decrease in unearned revenue	(368)	0
Net cash used in operating activities	\$ (146,931)	(2,481)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 64,234	0

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$23,668.

During the year ended June 30, 2008, the District received \$144,162 in Capital Contributions from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 36,943
Liabilities	0
Net assets	
Reserved for scholarships	\$ 36,943

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,672
Deductions:	
Support services:	
Scholarships awarded	1,696
Change in net assets	(24)
Net assets beginning of year	36,967
Net assets end of year	\$ 36,943

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The East Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Grand, Gilman, Laurel and Ferguson, Iowa, and the predominate agricultural territory in Marshall, Tama, Poweshiek and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, East Marshall Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Marshall Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall, Tama, Poweshiek and Jasper Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the governmental funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not been served. Lunch account balances will be reimbursed or served lunches. Revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 2,427,482</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 346,590
General	Special Revenue, Management Levy	2,173
Debt Service	General	61,460
Special Revenue, Student Activity	General	1,340
Special Revenue, Property, Plant and Equipment Levy	Special Revenue, Student Activity	1,007
Special Revenue, Property, Plant, and Equipment Levy	Capital Projects	8,531
Capital Projects	Special Revenue, Property, Plant, and Equipment Levy	108,486
Special Revenue, Management Levy	Special Revenue, Property, Plant, and Equipment Levy	5,000
Total		<u>\$ 534,587</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 115,374	13,051	0	128,425
Construction in progress	5,824,427	157,814	5,982,241	0
Total capital assets not being depreciated	5,939,801	170,865	5,982,241	128,425
Capital assets being depreciated:				
Buildings	3,791,931	5,982,241	47,392	9,726,780
Land improvements	267,784	158,332	0	426,116
Machinery and equipment	2,110,259	398,235	219,577	2,288,917
Total capital assets being depreciated	6,169,974	6,538,808	266,969	12,441,813
Less accumulated depreciation for:				
Buildings	2,122,678	191,711	15,661	2,298,728
Land improvements	178,260	21,305	0	199,565
Machinery and equipment	1,729,941	198,326	212,519	1,715,748
Total accumulated depreciation	4,030,879	411,342	228,180	4,214,041
Total capital assets being depreciated, net	2,139,095	6,127,466	38,789	8,227,772
Governmental activities capital assets, net	\$ 8,078,896	6,298,331	6,021,030	8,356,197

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 133,245	146,505	25,591	254,159
Less accumulated depreciation	114,394	15,071	20,723	108,742
Business-type activities capital assets, net	\$ 18,851	131,434	4,868	145,417

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 98,672
Support services:	
Operation and maintenance of plant	11,864
Transportation	87,790
	198,326
Unallocated depreciation	213,016
Total governmental activities depreciation expense	\$ 411,342
Business-type activities:	
Food service operations	\$ 15,071

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,005,000	0	195,000	4,810,000	200,000
Energy loan notes	490,000	0	35,000	455,000	44,000
Compensated absences	50,455	46,785	50,455	46,785	46,785
Early retirement	633,108	325,038	126,014	832,132	150,801
Total	\$ 6,178,563	371,823	406,469	6,143,917	441,586

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue July 1, 2005			
		Principal	Interest	Total	
2009	4.50	% \$ 200,000	196,883	396,883	
2010	4.50	210,000	187,883	397,883	
2011	4.38	220,000	178,433	398,433	
2012	4.38	230,000	168,808	398,808	
2013	4.38	235,000	158,745	393,745	
2014-2018	3.60-4.38	1,335,000	641,654	1,976,654	
2019-2023	3.95-4.10	1,635,000	359,443	1,994,443	
2024-2025	4.15-4.20	745,000	47,068	792,068	
Total		\$ 4,810,000	1,938,917	6,748,917	

Energy Loan Notes

During the year ended June 30, 2007 the District issued capital loan notes for energy improvement projects. Details of the District's June 30, 2008 energy loan notes indebtedness, which will be paid from the General Fund, is as follows:

Year Ending June 30,	Interest Rates	Energy loan notes dated February 1, 2007			
		Principal	Interest	Total	
2009	4.05	% \$ 44,000	18,428	62,428	
2010	4.05	45,000	16,646	61,646	
2011	4.05	47,000	14,823	61,823	
2012	4.05	49,000	12,920	61,920	
2013	4.05	50,000	10,935	60,935	
2014	4.05	52,000	8,910	60,910	
2015	4.05	54,000	6,804	60,804	
2016	4.05	56,000	4,617	60,617	
2017	4.05	58,000	2,349	60,349	
Total		\$ 455,000	96,432	551,432	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The retiree may maintain their membership in the group health insurance. The District will pay the retiree a monthly payment beginning in September following retirement through the month when the retiree reaches 65 years of age of .01 times the salary(excluding Phase I, II and III money or extra curricular salary) received during the year prior to retirement. Should the retiree die before reaching age 65, the monthly payment will be continued to the retiree's surviving spouse until the retiree would have reached 65 years of age, or such payments may be computed to an agreed lump sum payable to the spouse or the retiree's estate. The employee shall not be on disability leave at the time of retirement. Early retirement benefits paid during the year ended June 30, 2008, totaled \$126,014. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$299,132, \$260,593, and \$239,694 respectively, equal to the required contributions for each year.

(7) Risk Management

East Marshall Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) **Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$248,491 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,848,180	180,348	5,028,528	4,746,039	4,746,039	282,489
State sources	3,846,326	4,986	3,851,312	3,696,687	3,696,687	154,625
Federal sources	252,322	163,453	415,775	371,000	371,000	44,775
Total revenues	8,946,828	348,787	9,295,615	8,813,726	8,813,726	481,889
Expenditures:						
Instruction	5,126,074	0	5,126,074	5,169,963	5,269,963	143,889
Support services	3,064,182	15,247	3,079,429	3,052,481	3,152,000	72,571
Non-instructional programs	9,365	355,799	365,164	373,700	385,000	19,836
Other expenditures	1,805,248	0	1,805,248	2,002,094	2,002,094	196,846
Total expenditures	10,004,869	371,046	10,375,915	10,598,238	10,809,057	433,142
Excess(Deficiency) of revenues over(under) expenditures	(1,058,041)	(22,259)	(1,080,300)	(1,784,512)	(1,995,331)	915,031
Other financing sources, net	8,471	144,162	152,633	0	0	152,633
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(1,049,570)	121,903	(927,667)	(1,784,512)	(1,995,331)	1,067,664
Balance beginning of year	2,898,149	70,825	3,039,799	2,080,204	2,080,204	959,595
Balance end of year	\$ 1,848,579	192,728	2,112,132	295,692	84,873	2,027,259

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District adopted one budget amendment increasing budgeted expenditures by \$210,819.

OTHER SUPPLEMENTARY INFORMATION

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 118,398	114,950	235,067	51,914	520,329	506	520,835
Receivables:							
Property tax:							
Current year delinquent	4,073	0	2,454	331	6,858	859	7,717
Succeeding year	235,000	0	165,747	22,376	423,123	58,011	481,134
Accounts	0	812	0	0	812	0	812
Due from other governments	6	125	4	0	135	1	136
TOTAL ASSETS	\$ 357,477	115,887	403,272	74,621	951,257	59,377	1,010,634
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,722	314	14,177	0	16,213	0	16,213
Salaries and benefits payable	0	199	0	0	199	0	199
Deferred revenue:							
Succeeding year property tax	235,000	0	165,747	22,376	423,123	58,011	481,134
Total liabilities	236,722	513	179,924	22,376	439,535	58,011	497,546
Unreserved fund balances	120,755	115,374	223,348	52,245	511,722	1,366	513,088
TOTAL LIABILITIES AND FUND BALANCES	\$ 357,477	115,887	403,272	74,621	951,257	59,377	1,010,634

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue		
REVENUES:							
Local sources:							
Local tax	\$ 255,491	0	153,895	20,775	430,161	53,864	484,025
Other	2,925	177,001	30,556	1,393	211,875	118	211,993
State sources	192	0	115	16	323	40	363
TOTAL REVENUES	258,608	177,001	184,566	22,184	642,359	54,022	696,381
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	128,396	0	0	0	128,396	0	128,396
Other instruction	0	151,638	0	0	151,638	0	151,638
Support services:							
Student services	665	1,291	0	0	1,956	0	1,956
Instructional staff	194	2,968	0	0	3,162	0	3,162
Administration services	14,754	253	0	0	15,007	0	15,007
Operation and maintenance							
of plant services	47,543	390	37,465	5,736	91,134	0	91,134
Student transportation	20,126	0	0	0	20,126	0	20,126
Non-instructional programs							
Food service operation	3,892	0	0	0	3,892	0	3,892
Community service operations	0	0	0	5,473	5,473	0	5,473
Other expenditures:							
Facilities acquisitions	0	0	134,078	0	134,078	0	134,078
Long-term debt:							
Principal	0	0	0	0	0	230,000	230,000
Interest and fiscal charges	0	0	0	0	0	232,517	232,517
TOTAL EXPENDITURES	215,570	156,540	171,543	11,209	554,862	462,517	1,017,379
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	43,038	20,461	13,023	10,975	87,497	(408,495)	(320,998)
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	6,007	0	6,007	408,050	414,057
Transfer out	(7,173)	(2,347)	(117,017)	0	(126,537)	0	(126,537)
Total other financing sources (uses)	(7,173)	(2,347)	(111,010)	0	(120,530)	408,050	287,520
NET CHANGE IN FUND BALANCES	35,865	18,114	(97,987)	10,975	(33,033)	(445)	(33,478)
FUND BALANCE BEGINNING OF YEAR	84,890	97,260	321,335	41,270	544,755	1,811	546,566
FUND BALANCE END OF YEAR	\$ 120,755	115,374	223,348	52,245	511,722	1,366	513,088

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures and Interfund Transfers	Balance End of Year
Drama	\$ 4,674	825	523	4,976
HS Vocal	4,477	2,008	2,649	3,836
Spec MS Vocal	230	796	0	1,026
HS Band	1,713	3,137	0	4,850
Band Fundraising	0	6,264	6,264	0
Spec MS Band	4,288	1,788	2,464	3,612
MS Band Resale	0	1,089	1,089	0
Athletics	24,448	5,998	3,987	26,459
Athletic Uniforms	7,009	9,000	5,184	10,825
Spec MS Athletics	11,952	6,340	1,359	16,933
Golf	0	696	696	0
Boys Basketball	0	5,421	5,421	0
Football	0	12,111	12,111	0
Baseball	0	4,146	3,866	280
Wrestling	0	2,533	2,533	0
Alumni Basketball Uniforms	472	620	0	1,092
Girls BB	0	5,395	5,395	0
Volleyball	0	5,849	5,849	0
Softball	0	5,846	5,686	160
Girls Track	0	110	110	0
Kids Benefit	555	600	773	382
Student Pop	0	18,701	18,701	0
Interest	0	3,765	3,765	0
Middle School Fine Arts	7,600	6,000	2,447	11,153
MS Yearbook	501	1,890	2,218	173
Spec MS Art	1,189	0	34	1,155
MS Student Council	2,425	2,623	3,171	1,877
MS Activities	269	9	0	278
High School Fine Arts	1,155	9,000	9,420	735
Class of 2009	37	14,765	11,115	3,687
Class of 2010	37	1	0	38
Class of 2011	1,340	0	1,340	0
Class of 2012	2,934	125	3,059	0
HS Yearbook	5,447	9,662	10,171	4,938
Spec HS Art	854	258	0	1,112
Silk Screening	0	4,067	4,067	0
Cheerleaders	0	305	305	0
FFA	3,554	9,623	9,878	3,299
National Honor Society	7,276	3,050	0	10,326
HS Student Council	2,824	1,712	2,364	2,172
HS Activities	0	328	328	0
Vending Machine	0	10,545	10,545	0
Total	\$ 97,260	177,001	158,887	115,374

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

	GO Bond Construction	Local Option Sales and Services Tax	Total Capital Projects
ASSETS			
Cash and pooled investments	\$ 134,765	505,523	640,288
Due from other governments	0	74,905	74,905
TOTAL ASSETS	\$ 134,765	580,428	715,193
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,022	0	15,022
Fund balances:			
Reserved:			
Capital facility construction	119,743	0	119,743
Unreserved	0	580,428	580,428
Total fund balances	119,743	580,428	700,171
TOTAL LIABILITIES AND FUND BALANCES	\$ 134,765	580,428	715,193

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2008

	GO Bond Construction	Local Option Sales and Services Tax	Total
REVENUES:			
Local sources			
Local tax	\$ 0	418,411	418,411
Other	86,657	22,780	109,437
State sources	0	9,232	9,232
Federal sources	50,000	0	50,000
Total revenues	136,657	450,423	587,080
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	834,560	125,602	960,162
Excess(deficiency) of revenues over(under) expenditures	(697,903)	324,821	(373,082)
OTHER FINANCING SOURCES(USES):			
Transfer in	117,017	0	117,017
Transfer out	0	(346,590)	(346,590)
TOTAL OTHER FINANCING SOURCES(USES)	117,017	(346,590)	(229,573)
Net change in fund balances	(580,886)	(21,769)	(602,655)
Fund balance beginning of year	700,629	602,197	1,302,826
Fund balance end of year	\$ 119,743	580,428	700,171

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,084,414	3,146,783	3,159,955	3,202,645	2,778,213
Tuition	1,276,568	1,249,157	1,084,449	815,148	655,870
Other	487,198	492,617	524,229	279,311	295,208
State sources	3,846,326	3,448,468	3,581,775	3,159,379	3,052,978
Federal sources	252,322	400,479	228,858	272,939	190,579
Total	\$ 8,946,828	8,737,504	8,579,266	7,729,422	6,972,848
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,263,097	3,070,843	2,738,703	2,575,286	2,704,570
Special instruction	1,106,333	1,034,926	889,705	821,571	946,698
Other instruction	756,644	789,754	722,381	677,104	608,756
Support services:					
Student services	280,838	278,505	253,518	250,249	239,395
Instructional staff services	289,776	269,037	328,213	296,343	256,506
Administration services	826,278	800,010	800,782	779,341	674,193
Operation and maintenance of plant services	943,058	805,329	944,385	664,386	664,676
Transportation services	724,232	468,739	468,872	503,504	470,553
Central services	0	0	0	0	1,396
Non-instructional programs					
Food service	3,892	3,635	2,354	2,354	3,364
Community service	5,473	5,738	3,470	10,904	20,289
Other expenditures:					
Facilities acquisitions	1,094,240	4,656,475	1,289,281	86,941	156,383
Long-term debt:					
Principal	230,000	185,000	190,000	0	0
Interest and fiscal charges	232,517	213,226	182,405	0	0
AEA flow-through	248,491	231,586	218,952	217,704	221,438
Total	\$ 10,004,869	12,812,803	9,033,021	6,885,687	6,968,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
East Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Marshall Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of East Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Marshall Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects East Marshall Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of East Marshall Community School District's financial statements that is more than inconsequential will not be prevented or detected by East Marshall Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by East Marshall Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether East Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Marshall Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Marshall Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Marshall Community School District and other parties to whom East Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

We noted during our audit that projectors, toners, and chairs were purchased from the National Honor Society account. Expenditures like this appear to be more administrative and instructional in nature and would be more appropriately run through the General Fund.

Response - The District will review how the funds in the Student Activity Fund are being used and implement necessary changes.

Conclusion - Response accepted.

- I-C-08 Revenue Recognition in PPEL - During our audit we noted that the District is receipting ad sales, pop can, and football jersey sales revenues into a donations account in the PPEL Fund. These revenues appear to have been fundraised without a specific purpose for the use of the funds.

Recommendation - The Code of Iowa does not mention these types of revenues as being allowable within the PPEL Fund. In the future these types of revenues should be recorded within the General Fund. If the District decides to fundraise for a specific allowable PPEL expenditure, then a specific purpose needs to be posted so the consumer knows what the proceeds are to be used for.

Response - The District has reviewed its fundraising policy and will make necessary changes.

Conclusion - Response accepted.

- I-D-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will review the coding of bills to ensure expenditures for specific grants and projects are properly coded.

Conclusion - Response accepted.

- I-E-08 Cell Phone Policy - We noted during our audit that the District had not implemented a cell phone policy that states the procedures on the use of District owned cell phones.

Recommendation - The District should review the policies in place and update the necessary cell phone policies.

Response - The District has reviewed and updated the necessary cell phone policies.

Conclusion - Response accepted.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steven Edwards, Board Member Substitute Bus Driver	Substitute Bus Driver	\$2,107

According to Chapter 279.A of the Code of Iowa, the transactions with Steven Edwards do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Electronic Check Retention - We noted during our audit that the District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to retain both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The District has contacted the bank and will receive photo images of both the front and back of the checks

Conclusion - Response accepted.